CHAPTER 1.
INTRODUCTION AND RESEARCH METHODOLOGY

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1.1 Introduction to business

The basic objective of business is to develop, produce and supply goods and services to customers. This has to be done in such a way as to allow companies to make a profit, which in turn demands far more than just skills in companies’ own fields and processes. Businesses are predominant in capitalist economies, in which most of them are privately owned and administered to earn profit to increase the wealth of their owners. Businesses may also be not-for-profit or state-owned. A business owned by multiple individuals may be referred to as a company, although that term also has a more precise meaning.
“The etymology of "business" relates to the state of being busy either as an individual or society as a whole, doing commercially viable and profitable work.”

1.1.1 Forms of business
There are several forms of business like:

i. Sole proprietorship firm: A sole proprietorship is a for-profit business owned by one person. The owner may operate on his or her own or may employ others. The owner of the business has unlimited liability for the debts incurred by the business.

ii. Partnership firm: A partnership is a for-profit business owned by two or more people. In most forms of partnerships, each partner has unlimited liability for the debts incurred by the business. The three typical classifications of partnerships are general partnerships, limited partnerships, and limited liability partnerships.

iii. Company: A company is a limited liability business that has a separate legal personality from its members. Companies can be either government-owned or privately-owned, and privately-owned companies can organize either for-profit or not-for-profit. A for-profit company is owned by shareholders who elect a board of directors to direct the company and hire its managerial staff. A for-profit company can be either privately held or publicly held.

iv. Cooperative: Often referred to as a "co-op", a cooperative is a limited liability business that can organize for-profit or not-for-profit. A cooperative differs from a for-profit corporation in that it has members, as opposed to shareholders, who share decision-making authority. Cooperatives are typically classified as either consumer cooperatives or worker cooperatives. Cooperatives are fundamental to the ideology of economic democracy.”

1.1.2 Classification of business
Business can be classified as follows:

1 http://en.wikipedia.org/wiki/Business
i. **Agriculture and mining businesses** are concerned with the production of raw material, such as plants or minerals.

ii. **Financial businesses** include banks and other companies that generate profit through investment and management of capital.

iii. **Information businesses** generate profits primarily from the resale of intellectual property and include movie studios, publishers and packaged software companies.

iv. **Manufacturers** produce products, from raw materials or component parts, which they then sell at a profit. Companies that make physical goods, such as cars or pipes, are considered manufacturers.

v. **Real estate businesses** generate profit from the selling, renting, and development of properties, homes, and buildings.

vi. **Retailers and distributors** act as middle-men in getting goods produced by manufacturers to the intended consumer, generating a profit as a result of providing sales or distribution services. Most consumer-oriented stores and catalog companies are distributors or retailers.

vii. **Service businesses** offer intangible goods or services and typically generate a profit by charging for labor or other services provided to government, other businesses, or consumers. Organizations ranging from house decorators to consulting firms, restaurants, and even entertainers are types of service businesses.

viii. **Transportation businesses** deliver goods and individuals from location to location, generating a profit on the transportation costs.

ix. **Utilities** produce public services such as electricity or sewage treatment, usually under a government charter.

Besides above, there are many other ways business can be classified in divisions and sub-divisions.
1.1.3 Role of business in the society
Business plays a big role in the growth and development of the country and the society. Business supplies goods and services that customers cannot, or do not want to produce themselves. Business creates jobs for customers, suppliers, distributors and co-workers. These people make money to support themselves and their families, pay taxes and use their wages to buy goods and services. Business helps in continuous development of new goods, services and processes. It helps in investing in new technologies and in the skills of employees.

In a country like India which has huge population, it is said that youngsters should be encouraged to start their own business so that they need not search for jobs which are less. On the contrary, they can provide jobs to people by starting their own businesses.

Considering the importance of business and the role that it plays in the society, business management as a discipline has evolved. It is important that the business has to be managed effectively as it contributes to the growth of the country and society at large. Business Management as a discipline also has evolved due to the separation of ownership from management.

1.1.4 Business Management
Management as a separate field of study can be said to have emerged only during the second half of the 19th century, when with the introduction of joint stock companies a new industrial era began. There is a separation of management from ownership. So it gave rise to problem of labour, inefficiency of them and inadequacy of wage payment. In search of solution to these problems, people began to recognize management as a separate field of study.

Business management is the process of the planning, co-ordination and control of a business. To survive in the long run, a business must be profitable and liquid. To do so, it must create sufficient value for its customers so that its revenues exceed its total
costs. The overall task of business management is to address successfully the problems that confront a business in its role as a value-creating organization.

In addition to their problem-solving abilities and skills, the owners of business or business managers must have knowledge and expertise in the seven functional areas of business: production, marketing, finance, accounting, human resources, management information systems, and product research and development. Moreover, top management must be able to co-ordinate these activities within the business so as to maximize the value of the business to its shareholders and its other stakeholders, such as employees, suppliers, customers and the surrounding community.

**Areas of Business Management:**

i. **Production managers** purchase and take inventory of raw materials and semi finished inputs, manage the use of these inputs in the production process, and control final goods inventory and the shipping, transportation and distribution of final products.

ii. **Marketing managers** conduct of market research to determine which products, at which prices and quantities and with which characteristics, will create value for consumers. They also manage the advertising, promotion and sales of the firm's products.

iii. **Finance managers** raise capital for the firm from external sources, such as the stock market, banks, and individuals, and manage the internal allocation of funds within the firm. They also evaluate capital expenditures for plant and equipment and for research and development.

iv. **Management accountants** collect and evaluate cost data on the wages and salaries of a firm's employees, equipment and materials inputs, and its various sources of capital. They combine these data with revenue data to determine the firm's profits, its assets and liabilities, fund-flow needs and tax liabilities.
v. **Human resource managers** help make hiring decisions, conduct training, co-ordinate the evaluation and reward systems within the firm, and chart and manage the careers of the firm's employees.

vi. **Research and development managers** develop new process technologies to increase production efficiency and new product technologies to expand the range, quality and performance of the firm's products.

vii. **Information systems managers** manage information flows within the firm and between the firm and its suppliers and customers. Increasingly, they also provide access to the wealth of data available via the internet.

The firm's overall business strategy and how it is implemented are crucial to its success. Top managers assess the strengths and weaknesses of the firm in relation to other firms in its industry (or industries) both at home and abroad; set the firm's objectives and goals; formulate and implement the firm's strategy; assess the success of the firm in creating value for its various stakeholders relative to its competitors; and, if necessary, over time revise its basic competitive strategies.

One of the most important aspects of business management is to ensure that all employees possess the information, skills, attitudes and motivation to use their full potential to achieve the firm's strategic goals. Top management influences the corporate management style, the corporate culture of interpersonal relationships and values within the firm.

### 1.1.5 Human resource as a factor of business

Business of any form and type cannot run without the most important resource in it the Human Resource. In the late 80’s when the then Prime Minister of India late Rajiv Gandhi wanted to bring computer revolution in our country, a large section of population felt that he would make them jobless. Today we know that the computer has not played any role in making people jobless, although, it has contributed hugely in giving jobs to people. There were similar fears in the 80’s that the world would be ruled by robots and it would replace human being at work place. Nothing of that sort
has happened. Whatever may be the technology used, human resource is an irreplaceable resource, and its presence will remain forever in the business. New technologies will come, but there will always be a need of the human resource to run this technology and also to make the present technology obsolete by introducing new technologies. Wars cannot be won by robots and computers alone; it needs the vital human resource. Organizations of all forms from software companies to construction companies need human resource. No business or organization can think of carrying its operations without human resource.

Human Resource is the most complex resource to manage. It is said that it is easy to manage materials, machinery and any other resource but human resource is the most difficult resource to manage. No two human being are exactly same by their behavior, therefore, management has to have a different strategy to manage each human resource present in the organization. Getting the human resource is also not as easy as getting any other resource. On the one hand, there is unemployment, and on the other, there is a shortage of employees with right skills in organizations. In India, there is a dearth of manpower with the right skills in advertising agencies, retail companies, software companies, the armed forces and in any organization we can think.

Human Resource in organizations can be categorized into different categories like unskilled, semiskilled and skilled human resource. The nature of job responsibility and the pay packages depends on their skill category. An unskilled human resource would get the basic minimum wage as a pay package but industry pays a skilled human resource as per their demand.

It has long been said that a company does not work through its bank balance or its capital assets but the people who work for it and who put the bank balance and capital asset into effective use. It is this point of view that has basically generated a huge limelight for the importance of managing those human resources.
1.2. Human Resource Management

Human Resource Management (HRM) is a management function that helps manager’s recruit, select, train and develop members for an organization. It is concerned with the people’s dimension in organization.

The HR department mainly acts as a bridge between the organization staff and the organization. HR plays a pivotal role in organization from proper organization of each and every personnel’s duties and profiles, personnel requirement, welfare policies, monitor and improve efficiency of the staff, solving staff problems, payroll management, pre-recruitment and post-resignation formalities, ensure training of new personnel and updating, taking care of legal requirements and ensuring the compliances are met with like Labour Law, Factories Act, Shops & Establishment Act., Payment of Wages Act, Minimum Wages Act, Maternity Benefits Act, etc. also falls under the duties of the HR Department.

As mentioned above, it is the human factors that actually lead an organization to perform, deliver and grow. The organizations performance is directly proportionate to the individual’s performance. If people perform individually and in teams, the overall organization performance is bound to enhance – other factors being in favor. As a result, the management of these resources are extremely essential for any organization, whether profit-seeking or non-profit seeking, to achieve maximum productivity levels.

1.2.1 Objective of Human Resources in the business organization.

The objective of management is to inject or deliver a professionally and technically competent workforce to the company, who are willing to execute their duties and responsibilities to the organization with ample dedication. It should also ensure that this workforce is willing to do so. HR can help a company proactively retain and attract good employees, as well as following the correct procedures improving the organizations reputation, credibility and commitment from staff, thus becoming an employer of choice and reducing unnecessary and unplanned overheads and employee turnover.
HR is the backbone of any organization. The role of HR is that of a catalyst, facilitator and business partner. HR is bridge between organization and employees. Without HR organization can not develop skilled employees who can bring the organization at top

HR is now considered to be a business partner where its role is on understanding the business and then making HR strategies that will support the growth of the business.

HR professional’s role is to help the organization to identify the basic needs in human capital development and to provide managers with a help to develop their subordinates. In this sense, Human Resources is not just a department to take care of employees, but to provide managers with tools to manage lead and develop their employees to be competitive in the market.

However, in terms of a broader perspective, HRM can have secondary objectives as a four-point strategy.

i. Societal Objectives:
It is to make sure that the organization in its functions is aware of the needs and challenges of the society. It must make sure that it is not breaking the pre-set boundaries, especially legal, of the society and rather make way for evolution. This includes maintaining cordial union-management relations and compliance to the legal obligations.

ii. Organizational Objectives:
An HRM process is of no use if it does not co-operate with the enterprise in achieving its basic goals. Regardless, of its other functions its first duty is to serve the organization. Framing policies, Manpower Planning, Selection and Placement, Employee relations, identifying and nurturing future leaders and doing talent management with efficiency are all part of the organizational objectives.
iii. Functional Objectives:
An important responsibility of the HR department is to ensure that the productivity of the other organizational segments or departments are in consonance with the current needs of the company. This is done through methods like appraisal and assessment. It is important that the HR professionals follow a Performance Management System (PMS) in the organization which does not just restrict itself to appraisals but also goes beyond it in enhancing the performance of the employees. When we talk about PMS, then it is all about setting Key Result Areas (KRAs), Key Performance Indicators (KPIs), identifying and building competencies for the organization, and then assessing the performance of the employees based on the KRA’s, KPI’s and competencies. The gaps identified between the required competencies and the actual competencies can be bridged with the help of training & development programs and by re-looking the entire selection process.

iv. Personal Objectives:
“To assist employees in achieving their personal goals, at least insofar as these goals enhance the individual’s contribution to the organization. Personal objectives of employees must be met if workers are to be maintained, retained and motivated. Otherwise, employee performance and satisfaction may decline and employees may leave the organization.”

1.2.2 Role of HR in Globalization and Liberalization

i. Globalization:
Globalization means interdependence between different countries around the world - doing business together, trading, etc. It refers to the process by which regional economies, societies, and cultures have become integrated through a global network of political ideas through communication, transportation, and trade.

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ii. Liberalization:
Liberalization refers to a relaxation of previous government restrictions, usually in areas of social or economic policy.

iii. The era of Globalization and Liberalization
The adoption of globalizing and liberalizing policies for the economy of India was done in 1991. This was a time when the country was facing massive fiscal deficits, depleting forex reserves and huge debt obligations throughout the world. The otherwise conservative Indian economy now became open to an extensive global participation. With liberalization, many of the industrial regulations binding organizations all over the country were done away with. This also increased the amount of private-player participation in the market. There are very many challenges that an HR department faces in the age of globalization. It has to create a global-mindset for both the managers and the employees. To meet these challenges, organizations need to recognize HR as a strategic element of business. The HR department has to create an atmosphere of unity in diversity and co-operation throughout the corporation and a culture with a global approach. It has to understand the need of developing set-of practices that are meeting the needs of the organization anywhere and everywhere in the world. The organizations need to develop and train employees in a way that they are able to perform with efficiency all over the world.

As a result, the masses observed a paradigm-shift in terms of employment duties and employers.

Presently, India hosts an enormous number of Multi-national companies, joint ventures and foreign-owned subsidiaries. Similarly, a large number of companies of Indian-origin are constructing bases all over the world.

When it comes to business, the world is indeed becoming a smaller place. More and more companies are operating across geographic and cultural boundaries. While most have adapted to the global reality in their operations, many are lagging behind in
developing the human resource policies, structures, and services that support globalization.

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The Coca-Cola company is one of the most successful MNCs in the world. With operations in as many as 200 countries, 80 per cent of its revenues are generated from foreign operations. The US-based company believes in the famous motto of “Thinking globally, acting locally”. The company has propagated a common HR policy within the company and developed a group of international minded mid-level executives for senior management responsibilities.

The structural adjustments policies initiated the process of opening up the closed economy of the country. There was a huge change in the politico-legal environment with deregulations and de-licensing on foreign investments. The FEMA and MRTP acts along with removal of public sector monopoly in certain industries occurred. This caused a major turbulence in the various organizations and made the business environment hyper-competitive.

In order to stay in the race, the companies required a new system in the HR processes.

**iv. HR’s different role in Globalization and Liberalization.**

With globalization, people of different countries work together. It was very familiar seeing Indians working in foreign countries in the past. With globalization and liberalization, one can now see foreign employees coming and working in India. The
retail industry needs SME (subject matter experts). These SME’s are hired from foreign countries who work in India. The role of HR professionals has therefore become more diverse where it requires a great understanding of the International Human Resource practices. The H.R. departments role in globalization and liberalization can be explained as follows:

a. **HR as a strategic partner:**

When it comes to business, world is becoming a smaller place. More and more companies are operating across geographical and cultural boundaries. The Human Resource also faces many challenges in the globalization process. To meet these challenges, organization needs to consider the HR function not just as an administrative service but as a strategic business partner. Companies should involve the human resources department in developing and implementing both business and people strategies. This type of partnership is necessary if an organization wants to change potentially inaccurate perceptions of HR and reiterate the HR function’s purpose and importance throughout its global environment. The process of globalizing resources, both human and otherwise, is challenging for any company. Organizations should realize that their global HR function can help them utilize their existing human talent from across multiple geographic and cultural boundaries. International organizations need to assist and incorporate their HR function to meet the challenges they face if they want to create a truly global workforce.

b. **Decentralization:**

The globalization of HR is characterized by increasing levels of decentralization. Half of all international organizations have one primary HR department with independent regional HR staff. Many international and domestic companies use a more centralized approach—one primary HR department with dependent regional HR staff. Most organizations operating at domestic level have only a primary HR department with no regional HR staff.
c. **HR plays a key role in Mergers and Acquisitions:**

One of the biggest change agents in any corporate scenario are the mergers and acquisition of companies. It changes the power plays in the industry and brings about a paradigm shift in the acquired or merged organizations.

Mergers and acquisitions (abbreviated M&A) refers to the aspect of corporate strategy, corporate finance and management dealing with the buying, selling, dividing and combining of different companies and similar entities that can aid, finance, or help an enterprise grow rapidly in its sector or location of origin or a new field or new location without creating a subsidiary, other child entity or using a joint venture. The distinction between a "merger" and an "acquisition" has become increasingly blurred in various respects (particularly in terms of the ultimate economic outcome), although it has not completely disappeared in all situations.

There have been a number of mergers and acquisitions that have taken place in India in the past few years. Some of the major acquisitions by Indian companies are as follows:

1. Tata acquiring Corus
2. Hindalco acquiring Novelis
3. Tata acquiring Jaguar and Land Rover
4. Essel Packaging acquiring Propack
5. Ranbaxy Laboratories Ltd. (RLL) acquiring Allen S.p.A, a division of GlaxoSmithKline (GSK) in Italy, Romania’s largest independent generic drug producer Terapia and drug maker Ethimed NV in Belgium.
6. Wockhardt acquiring Negma laboratories
7. Times group acquiring Virgin Radio
8. Mahindra and Mahindra acquiring Schoneweiss
9. Sterlite acquiring Asarco
10. ONGC acquiring Imperial Energy
Mergers & Acquisitions are never easy. That’s because it is never fully possible to buy out the core of the firm. In these days of high attrition and a vibrant job market, companies involved in mergers and acquisitions have to tread lightly when it comes to employees. They have to be reassuring about jobs, and allay all fears and concerns. Given this situation, HR departments are beginning to play a more significant role than ever before, in integrating people during M&A.

“The IGATE acquisition of Patni is an example. It required the integration of 25,000 people (16,000 from Patni and 9,000 from iGATE). Though it was not easy telling Patni staff their company had been bought out, HR officials ensured they were informed about this well ahead even before the external stakeholders. Within minutes of the announcement, employees received mails from the CEO, PowerPoint presentations explaining the benefits of the deal, and timelines for various activities. Discussion forums, Town Hall meetings and teleconferences were set up. “These will continue so that employees in all geographical locations can get their doubts cleared,” says Sunil Chitale, chief strategy and marketing officer at Patni. Even queries posted online anonymously, will be answered. The two companies will continue with their independent HR policies till they can figure out integration. In fact, Phaneesh Murthy, ex-CEO of iGATE, assured that retention packages would be rolled out to select employees soon”.

People integration is a complex issue. For most HR personnel, work begins before the actual M&A, when a company is scouting for a prospective. A cultural fit is key; if not addressed, this could lead to high attrition later. Working out compensation structures and roles, and the swapping of best practices, follows. Sensitizing employees on both sides, the HR departments must make it clear there is no ‘loser’. If the merger is cross cultural, employees need to be briefed on the cultural norms of the partner. Post-acquisition, surveys need to be conducted in the acquired company, and training provided to staff, for them to get a feel of their new environment. Role changes are crucial; the sudden removal of top management in an acquired firm leads to instability”.

3 “HR Plays Key Role in Mergers”, The Economic Times Mumbai, Date: Jan 18, 2011; Section: Career & Business Life, Page No. 10
d. **Training for global business:**

Firms competing in a global market place, and organizations are to survive and prosper in the modern world of rapid change, they need to be more flexible, faster-moving and faster-learning than before. For that firms are implementing special global training programs, the reason for doing to avoid lost business due to cultural insensitivity, improving job satisfaction and retention of overseas staff and enabling a newly assigned employee to communicate with colleagues abroad. Providing training for employees not only helps them develop their skills and knowledge, but it is also motivational and a building block to organizational success. Global training programs opt for prepackaged programs.

**Executive Etiquette for Global Transactions:** This program prepares managers for conducting business globally by training them in business etiquette in other cultures.

**Cross Cultural Technology Transfer:** This program shows how cultural values affect perceptions of technology and technical learning.

**International Protocol and Presentation:** This program shows the correct way to handle people with tact and diplomacy in countries around the world.

**Language Training:** Language training delivered by certified instructors, usually determined by the learner’s needs

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e. **Adapting to technological change:**

Traditionally human resource management (HRM) has had a people-oriented approach. However today, the competitive demands of the marketplace require emphasis to be given to a knowledge-based administration using technology as a tool.

Human Resource Information Systems (HRIS): an integrated system providing information used in HR decision making. An HRIS serves two major purposes in
organizations: (1) improves the efficiency with which data on employees and HR activities are compiled; (2) having accessible data enables HR planning and managerial decisions making to be based to a greater degree on information rather than relying on managerial perceptions or intuitions

Enterprise resource planning (ERP): “An enterprise planning system is an integrated computer based application used to manage internal and external resources, including tangible assets, financial resources, material and human resources”.

There are also different software’s used payroll management, appraisal management, employees training etc.

f. Maintaining code of ethics:

HR professionals must help ensure that ethics is a top organizational priority. HR must ensure that the leadership selection and development processes include an ethics component. After all, leaders at all levels of the organization need to both model ethical behavior and communicate ethical standards to employees. Selection procedures must filter out people who, despite making their numbers, are known for cutting ethical corners. HR is responsible for ensuring that the right programs and policies are in place

Some of the other recent trends in HR are as follows:

 g. Quality of work life:
Quality of work life (QWL) is viewed as an alternative to the control approach of managing people. The QWL approach considers people as an ‘asset’ to the organization rather than as ‘costs’. It believes that people perform better when they are allowed to participate in managing their work and make decisions.

 h. Flexi time:
Flexi time is a scheme where an organization gives its employees the opportunity of a flexible working hours arrangement. Under flexi time, there is normally a core period of the day when employees must be at work (e.g. between 10 am and 4pm), whilst
the rest of the working day is "flexi time", in which staff can choose when they work, subject to achieving total daily, weekly or monthly hours. An employee must work between the basic core hours and has the flexibility to clock in/out between the other hours.

i. **Flexi work:**
It is a program that allows flexibility in handling the type of work in various departments of the organizations in systematic way by the employee during his tenure of employment in an organization. For example, a candidate may be selected as a clerk in the Personnel Department and after two years he may be allowed to take up work in any other department of the organization.

j. **Moon Lightning by employees:**
This is a situation, which arises among employees on account of dissatisfaction from present wage & salary structure. They feel that employer enjoys the increased profit and that they are being exploited by the employer. Consequently they agitate for hike in wages or take up another part-time job or business simultaneously with that of the original job. This is also known as Double Jobbing.

k. **Management of turnover and retention:**
Employee turnover costs businesses billions of dollars each year. It works against productivity, efficiency and, ultimately, profits. As such, managing turnover is essential for all organizations. Every organization, therefore, should have an action plan, or at least a program that sensitizes management to the issues. Some programs designed to reduce/manage turnover consist of changes collectively or separately in job content, compensation practices, promotion policies and career, hiring practices, authority and responsibility relationships and the workflow process.

1.2.3 **Innovation**
Innovative practices started developing inside the companies to hire the best talent and retain them. In order to maintain a good rapport with the employees the companies started introducing them to the corporate culture of professionalism, which was required to stay ahead of the growing competition.
These days we observe many such innovations at work. One such example would be that organizations their senior-managers to attend Executive management programs at B-schools which not only develops and grows their professional potential but, also imbibes a sense of loyalty toward the company.

In such a hyper-competitive environment, the HR managers look to develop certain skills amongst the employees that will enable their workforce and organization to become cutting edge. This competitiveness has been synonymous to staying above the average and survival.

The environment of competition throws various challenges at a business. It is for the business to have perception, understanding and action strategies for such problems. If a company is ahead of its competition it should know what it has to do to keep rivals at bay. Constant upgrading is a must in such cases. The examples of Microsoft in Operating system software and Google in web-based search engines are apt.

Traits of lateral thinking, innovation, intrapreneurship and speed are high in demand. HR policies must address the issue of enabling people to respond to environmental opportunities and challenges in the best interests of the company. Intrapreneurship and innovativeness in the people ensures that “out of the box thinking” is at work and value innovation is an ongoing exercise in the company. Self-discipline is an essential element of entrepreneurship in the companies. It is this attribute that enables people to act responsibly, and acts as a voluntary check over oneself. Speed is a critical factor today’s business environment. Any innovation if not capitalized in a short time is as good as a lost opportunity. Speed is not same as haste – again Self discipline helps in maintaining the divide between speed and haste.

If such traits can be encrusted into the policies and HR frameworks, the concern would gain a huge advantage over its competition. The institutionalization of such traits shall take the company to a higher plane of competitiveness.

The significance of HR in such environments reaches the indispensable levels.
Without the proper management of Human resources, a company is most likely to wither away.

### 1.2.4 HR and its role in Talent Management

The most significant driver of an organization’s success – and its key differentiator – is the contribution made by its people, from its senior leadership to its newest hire.

Today’s leaders understand the importance and value of that talent, but many lack answers to a variety of talent-related questions such as, whether an organization has a talent pool that is able to address current and future business needs; if the business is flexible and agile enough to deal with the constant inflow and outflow of employees; whether it keeps track of the changing nature of work and skill sets required to address that change; and where are the company’s new sources of talent and how it can make the most of them.

Addressing these issues has become increasingly important in the face of challenges such as globalization, recovering economies, change in talent demographics and even the nature of work itself. A research by Accenture confirms that the subject of attracting, engaging and retaining the right kind of people is now a matter for board rooms, and not solely a concern for human resources departments.

While some organizations till lack robust talent management systems, processes and practices, others have invested carefully in them and they have weathered the economic storms of the last few years. These organizations have seen their employee capabilities mature through the right kind of training and learning. At the same time, their understanding of market conditions has allowed them to keep their compensation competitive, and their scalable and resilient recruiting service delivery models have ensured continued focus on attracting and retaining the right people.

Now, as stability returns to the market-place, these organizations are posed for a talent-powered organization, they must do more than add people to their staff; they must build capabilities that multiply their talent so they generate superior levels of
innovation and results. When these capabilities align with critical business requirements, organizations can create long-term competitive advantage.

“In talent-powered organization, the leadership provides vision and passion for talent multiplication, and communicates about its strategic importance to the organization and its future. Additionally, HR people and line leaders have a profound commitment to a holistic system of talent multiplication based on four capabilities: defining talent needs, discovering new sources of talent, developing employees’ potential and deploying them in the right place at the right cost at the right time. Research shows that those companies that invest in HR professionals and hold them accountable for multiplying talent are much more likely to become high performing organizations. In addition, companies, deemed ‘human performance leaders’ are much more likely than ‘laggard’ companies to have functional leaders deeply engaged in talent management issues and initiatives.

It is imperative that organizations understand human resources’ new role. At the same time, HR professionals must move beyond employee relations and support business strategies, lead change aligned with business objectives, build HR practices that develop leadership, talent and culture, and help enable an effective operating model.”

1.2.5 HR is using different interventions using Organization Development (OD) approach

OD is the use of behavioral science knowledge to bring about planned change in the organization. OD is a part of the change management using behavioral science knowledge.

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**Definition of OD:**

“An effort planned organization wide, and managed from the top, to increase organizational effectiveness and health through planned interventions in the organizations’ processes using behavioral science knowledge” . (Beckhard, 1969)

“OD is a planned effort, initiated by process specialists to help an organization develop its diagnostic skills, coping capabilities, linkage strategies in the form of temporary and semi-permanent systems and a culture of mutuality” (Pareek, 1975)

“OD is a systematic effort, using behavioral science knowledge and skill, to change or transform the organization to a new state”. (Beckhard, 1999)

HR is using the OD approach in today’s times to bring about development in the organization with the help of behavioral science knowledge. Some of the HR Interventions that can be done using the OD approach are – Competency Mapping, OD approach to Performance Management System, Leadership Development using 360 degree feedback and Assessment and Development Centres.

### 1.3 Leadership / Executive / Manpower development

**Leadership:**

The task of the leader is to get his people from where they are to where they have not been.
- Henry Kissinger

Effective leadership is not about making speeches or being liked; leadership is defined by results not attributes.
- Peter Drucker

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5 Rao T.V., in Organization Development Experiences – A Case for Enriching HRD through OD, W.P. No. 2010 - 01 – 01, January 2010, IIM, Ahmedabad,
As mentioned above leadership is all about leading people. In an organization leadership is required to bring the Vision of company in to reality.

A leader is anyone who develops / grooms people in the organization, who is directly or indirectly responsible to increase customer satisfaction and ultimately revenues of the organization. These leaders can be there at different levels in the organization.

In the corporate scenario, one of the core responsibility of the HR department is to identify potential leaders for future, train them, develop them and coach them so that they are ready for the challenges. There are different methods to identify future leaders like coaching and mentoring, assessment centres, managerial grid etc. How important is to develop a leader can be best known with the recent example of the Tata group which is looking for the successor of Mr Ratan Tata.

Leadership development is considered critical for the success of organizations in a competitive scenario. Realizing this, organizations have started investing in developing leaders from inside, by identifying people who show the promise and prove their mettle. In the era of constant changes brought by globalization and increased opportunities, it becomes imperative to recognize potential leadership talent within organizations and design HR systems which will provide the identified with required learning and accelerated career growth. Such initiatives serve to motivate the performers as well as create a leadership pipeline.

The debate whether leaders are born or whether they are created by contextual factors has contributed to significant amount of theory building. However, what is more important in the organizational context is to find employees who are potential leaders and nurture them early enough. With the concept of life long employment vanishing and employees constantly trying to find greener pastures for better career options, organizations cannot remain aloof from attracting the fast trackers and managing them through well planned organizational interventions. On the other hand organizations have to consider employee career planning and management as part of their HR strategy. The focus here is to retain and nurture valuable employees while regularly
moving out the misfits. For example in the case of 3M a fast tracker/high potential is “an employee who consistently contributes at a significantly high level. Confidence exists that the individual will move to the next job band within three years” and in case of Westcoast Energy she/he is the one who “demonstrates a pattern of success in new and tough situations, leaves tracks in the sand, takes personal risks and makes professional sacrifices” (Cope and Fischer, 1998). With globalization setting in and the environment of operation becoming more competitive, many Indian organizations have set up formal programs for leadership development. This may range from a wide array of activities within companies like the use of 360 degree performance review for assessing leadership potential, assessment centres, specially designed accelerated development programs, training and coaching, special assignment and career designs. Corporate universities (leadership institutes like that of Crontonville of GE) are also becoming a much observed phenomenon in the Indian context which toes the line of organizations like GE. The Infosys Leadership Institute is an example in this context. Age and experience as critical factors rather than performance to qualify for leadership positions is also disappearing at least from the private sector organizations. In this context HR has a major role to play in streamlining the HR processes towards selecting leadership potential and managing them.

1.3.1 Leadership Development
Leadership Development refers to any activity that enhances the quality of leadership within an individual or organization. These activities have ranged from MBA style programs offered at university business schools to action learning, high-ropes courses and executive retreats. When we talk about leadership development, it can be developing leaders individually, collectively and succession planning:

i. Developing Individual Leaders
Traditionally, leadership development has focused on developing the leadership abilities and attitudes of individuals. Classroom-style training and associated reading is effective in helping leaders to know more about what is involved in leading well. However, knowing what to do and doing what you know are two very different outcomes; management expert Henry Mintzberg is one person to highlight this dilemma. It is estimated that as little as 15% of learning from traditional classroom
style training results in sustained behavioral change within the workplace. Among key concepts in Leadership Development, one may find –

a. **Experiential learning**: positioning the individual in the focus of the learning process, going through the four stages of experiential learning as formulated by David A. Kolb: 1. concrete experience 2. observation and reflection 3. forming abstract concept 4. testing in new situations.

b. **Self efficacy**: The right training and coaching should bring about 'Self efficacy' in the trainee, as Albert Bandura formulated: A person's belief about his capabilities to produce effects.

c. **Visioning**: Developing the ability to formulate a clear image of the aspired future of an organization unit.

ii. **Developing Leadership at a collective level**: More recently, organizations have come to understand that leadership can also be developed by strengthening the connection between, and alignment of, the efforts of individual leaders and the systems through which they influence organizational operations. This has led to a differentiation between Leader Development and Leadership development. Leader development focuses on the development of the leader, such as the personal attributes desired in a leader, desired ways of behaving, ways of thinking or feeling. In contrast, Leadership Development focuses on the development of leadership as a process. This will include the interpersonal relationships, social influence process, and the team dynamics between the leader and his/her team at the dyad level, the contextual factors surrounding the team such as the perception of the organizational climate and the social network linkages between the team and other groups in the organization.

iii. **Succession Planning**: The development of "high potentials" to effectively take over the current leadership when their time comes to exit their positions is known as succession planning. This type of leadership development usually requires the extensive transfer of an individual between departments. In many multinationals, it usually requires international transfer and experience to build a future leader. Succession planning requires a sharp focus on
organization's future and vision, in order to align leadership development with the future the firm aspires to create. Thus successive leadership development is based not only on knowledge and history but also on a dream. For such a plan to be successful, a screening of future leadership should be based not only on "what we know and have" but also on "what we aspire to become". Persons involved in succession planning should be current leadership representing the vision and HR executives having to translate it all into a program.

1.3.2 Executive Development

Executive development is the whole of activities aimed at developing the skills and competencies of those that (will) have executive positions in organizations. While "executive" and "manager" and "leader" are often used interchangeably, "executive" is commonly used to signify the top 5% to 10% of the organization. Similarly, "development" and "training" and "education" are often used as synonyms, however "development" is generally seen as the more encompassing of the three in terms of activities that build skills and competencies.

While it is typical to find organizations that have dedicated corporate training & development people and processes, it is not always the case that an organization will have a dedicated executive development set of activities. In some organizations (typically large multi-nationals), there is a separate executive development team, in other organizations executive development is handled as one of many activities by the larger corporate training group, and in yet other scenarios there is no executive development activity to speak of.

In contrast to other corporate training & development activities, which have as their core purpose to build tactical skills for employees, executive development plays a different role for the organization. Indeed some executive development is conducted for the purpose of building tactical skills (sometimes referred to as "hard skills" such as business fundamentals- finance, marketing, operations and also "soft skills" such as communication and team building), yet executive development is also used to evaluate future potential future executives as well as a mechanism for the CEO and the executive team to cascade their strategies, goals, and even elements of the culture to the rest of the management team and ultimately the organization. In the best of
cases, executive development not only helps an organization execute its key strategies, it can also help provide input to the strategy creation process. In this way, executive development is much more strategic than typical corporate training & development which is used for most employees of an organization.

i. Developmental Options
Executive development professionals have a wide variety of activities they can choose to deploy including in order of most commonly found:

a. OTJ (On the job) stretch assignments, line and staff roles, rotational assignments
b. Executive coaching
c. Mentoring
d. Custom workshops and activities
e. Action learning
f. Business school open enrollment courses
g. Online courses and resources

ii. Best Practices
The following are a set of best practices most often found in organizations that have long standing development activities which are highly regarded in and outside of the organization.

a. Articulate a clear and compelling vision – Leaders have many competing priorities, and need a compelling set of reasons to support development activities. The development team needs to build a compelling case and consistent themes across its development strategy.
b. Ground development in business challenges – When in doubt, development that is rooted in solving current and significant business challenges will always prevail over development that is designed to round out a leader or a group of professionals.
c. Shorten the timeline – Especially in light of budget cutbacks that are all too common in organizations today, it is important that development is focused on solving current operating cycle issues and challenges. Development plans that span many quarters risk never being fully implemented.
d. Market successes – Successful development professionals, like any other professionals in the organization, are quite good at highlighting their impact for the
organization and making sure to create "buzz" for their work and activities. Whether through formal ROI studies or informal anecdotal reviews that are circulated to strategic individuals, it is key to promote success.

1.3.3 Manpower Development

Manpower development, now commonly referred to as human resource development, is an ongoing process that analyzes, forecasts and projects an organization's future manpower requirements. In other words, manpower development focuses on such issues as whether the organization is ready to compensate for the loss of experience from retiring employees and if employees are adequately prepared to implement organizational change.

Manpower development is a process that seeks to optimize an organization's usage of its human resources. It requires an integrated approach that addresses multidimensional aspects of employees, ranging from enhancing technical and interpersonal skills to creative thinking and leadership. Organizations with high productivity levels have made manpower development an integral part of their business culture.

Manpower Development is important as the grit, sweat, and heavy equipment needed to complete large projects. For many companies it is a key component of company culture, a vital part of the company mission, and important for business success. Development refers to formal education, job experiences, relationships, and assessments of personality and abilities that help employees perform effectively in their current or future job and company. Although developments sometimes enhanced through planned development programs it often results from work experiences.

At the organizational level, manpower development (training of workers) is associated with anticipating manpower shortages so adequate personnel are available to implement future organizational plans.
1.3.4 Practices for fostering young leaders: Indian Case Examples

India today is moving towards the progress and as said it has the most youngsters as part of population compared to other developing or developed countries.

A number of organizations have implemented fast track leadership interventions. Some of the examples help to identify the critical factors which are similar throughout. The Tata group’s leadership development practices are worth mentioning here.

**Tata Administrative Services (TAS)**

A classic example of leadership development program in the Indian context is the Tata Administrative Services (TAS). The program, which was conceived and implemented more than 40 years back, aims at growing leaders who can lead the various group concerns in the future. It selects and trains high achieving young postgraduates from leading business schools of the country. The candidates are given extensive cross functional exposure across various group enterprises. TAS recruits are given the best possible support from the organization, and have steeper career growth opportunities. The first year of TAS is dedicated towards group orientation and learning, termed as “GOAL”. Here the recruits get a two weeks intensive orientation about the group. They get opportunities to interact with the senior management of the group. Training provides exposure of various initiatives and future plans of TATA. GOAL also provides learning through tours of various facilities of the group. Cross-functional training and challenging projects are given. Exceptional candidates are recognized for merit. After completing the GOAL, the recruit is given a posting which matches his choice and organizational requirements. The TAS gives the recruits to have high degree of exposure across various functions, group companies and responsibilities. Management expects the TAS recruit to be in a senior management position within 10 to 12 years, where he will be having a strategic role and considerable external contacts.

Various case examples and literature show that organizations can have planned processes to enhance the development opportunities of high potential employees. Tracking the high potential employees requires high degree of commitment from the
top management in terms of resources and other support, like mentoring. It is essential that organizations map the strategic relevance of leadership development and required competencies in the leaders. With the advent of globalization and increased competition beyond boundaries, the need for building future leaders is high and global leaders are the need of the hour. At the same time, traditional modes of organizational career management are losing their relevance. It is imperative that organizations understand the importance of managing the individualized career aspiration of high potential employees and provide them with enhanced opportunities both in terms of development support and career choices which mould them as future leaders.

1.4 Assessment Centre Method

1.4.1 Meaning of Assessment Centre
Assessment Centre is a comprehensive and highly specific assessment and selection tool constructed on a case by case basis to meet the manpower requirements of the company at that particular moment in time.

Assessment Centre is the identification of behavioral characteristics, skills and aspirations required for the post, by means of analysis carried out in conjunction with the company's line management.

It is the construction of customized tools and exercises, both group and individual, developed on the basis of the information gathered during the identification phase.

It is the Implementation of these tools and exercises during group or individual assessment sessions.

1.4.2 Definition of Assessment Centre
“Assessment centre is a method of predicting future performance by using simulations and other techniques to measure a candidate’s ability to handle future responsibilities”. – Julie Hay, ‘Assessment and Development centre’.
1.4.3 History of Assessment Centre
Assessment Centre process was first used sometime between the two world wars. The Treaty of Versailles, which ended the First World War, prevented Germany from rearming and thus the traditional approach to the selection of officers, which was of observing their performance in war or in exercises was denied to them. German psychologists then devised this method which involved a combination of tests, simulations and exercises to identify the potential of officer candidates. The British Army used this method in the early days of Second World War when they established the War Office Selection Boards (WOSBs), again for the selection of officer candidates. However, it was brought into the private sector only in 1956 after AT&T used it for selection of high potentials for managerial positions.

1.4.4 Essential Elements of an Assessment Centre

Assessment Centres must meet the following given criteria:

i. **Job Analysis** – To understand job challenges and the competencies required for successful execution of the job.

ii. **Predefine competencies** – Modeling the competencies, which will be tested during the process.

iii. **Behavioral classification** – Behaviors displayed by participants must be classified into meaningful and relevant categories such as dimensions, attributes, characteristics, aptitudes, qualities, skills, abilities, competencies, and knowledge.

iv. **Assessment techniques** – These include a number of exercises to test the assesses of their potentials. Each competency is tested through at least 2 exercises for gathering adequate evidence for the presence of particular competence.

v. **Simulations** – The exercises should simulate the job responsibilities as closely as possible to eliminate potential errors in selection.
vi. **Observations** – Accurate and unbiased observation is the most critical aspect of an AC.

vii. **Observers** – Multiple observers are used to eliminate subjectivity and biases from the process. They are given thorough training in the process prior to participating in the AC.

viii. **Recording Behavior** – A systematic procedure of recording must be used by the assessors for future reference. The recording could be in the form of hand written note, behavioral checklist, audio-video recording etc.

ix. **Reports** – Each observer must make a detailed report of his observation before going for the discussion of integration of scores.

x. **Data Integration** – The pooling of information from different assessors is done through statistical techniques.”

1.4.5 **Benefits of Assessment Centres**

“There are certain reasons why assessment centres are preferred over other methods of selection and leadership development. Some of them are highlighted below:

i. ACs map the next level challenges and simulate them in exercises. This raises the validity of the assessment tool. The old way of evaluating the person based on past performance does not work many times, as the challenges of the next level are different from the challenges in the existing position.

ii. Assessment centres not only help the organization in placing the right candidate for the right job/assignment but also helps in developing the participants. When participants see others handling the same exercise differently, it gives them an insight into their own performance thereby raises the credibility of the selection procedure.
iii. It appeals to the lay person’s logic and therefore is regarded as a fair means of assessment by the participants.

iv. Assessment Centres can be customized for different kinds of jobs, competencies and organizational requirements.

v. By involving the line managers in the procedure, assessment centres naturally gain support from them in the management decisions.

vi. Assessment Centres, even when conducted with selection purpose, do provide training to participants in the process. Also the assessors undergo training in the process which proves helpful for the organization.

vii. Their validity coefficient is higher than most other techniques used for predicting performance. This is so because it simulates real job challenges and evaluates the candidate on the same”.

1.5 Review of Literature

The literature relating to the topic is reviewed as under:

I. Sharma Radha R. in her book “360 degree feedback, competency mapping and assessment centres”, Tata McGraw Hill, New Delhi, 2002 concluded the way Assessment Centres are done in some companies in India like Smithkline Beecham, JK, Vysya Bank, Pricewater House Coopers. This book also gives details of importance of competency profiling in Assessment Centre and how Potential Appraisal can be done through Assessment Centre. The book is a very interesting attempt of author to enhance the knowledge and learning of 360 degree feedback, competency mapping and assessment centres by sharing practical examples of its implementation in various companies. It is clearly evident that author has done

http://www.tmtctata.com/
enormous amount of research on the implementation of 360 degree feedback, competency mapping and assessment centres.

The efforts in this book, have been aimed to share the different way 360 Degree Feedback, Competency Mapping and Assessment Centres have been designed and shared with the corporate experiences. The author has explained several approaches and their applications in a very simple and effective way. This book has covered almost all the important aspects of the Assessment Centre. The book is an excellent collection of practical approach and implementation, which are being used by several companies in India. Thus, this book not only help in making the understanding of the concepts of 360 degree feedback, competency mapping and assessment centres easy, but also to be equally useful to practicing managers to update their knowledge on the subject.

II. Nayak Madhumita in her paper “HR Imperatives for the organization in the twenty first century [Building competencies, quality and learning organizations]”, IMED Journal of Management and Social Research, Pune, Year of Publication Volume III Number 2, April 2010 pointed out about the modern world of the 21st century. She has divided this paper in three parts.

The first part of the paper talks about the concept of values and what are the principal moderators of value so that desired competency, quality and the learning organization is achieved. She explains the meaning of ego strength, field dependence, locus of control, organizational culture, organizational climate, ethical climates, organizational goals, policy, reward structure, stakeholders, decision making, decision alternatives and decision dimensions. She relates all this to values.

The second part of this paper talks about value based HR intervention on which the corporate culture is built and sustained. Here she talks about what is HR Intervention and how it can be successfully achieved. She gives emphasis to the behavioral science knowledge in implementing HR Interventions.

The third part of this paper talks about the concept of learning organization. Organization needs to operate in cut-throat-competition wherein the notion of the
learning organization itself is brought out. She supports this section by giving reference to the work done by Ikujiro Nonaka. To conclude, this paper takes the reader from the area of Human Resources to the area of Organization Development.

III. Tiwari J. S. in his paper “HRD and Organizational Diagnosis Revisited”, IMED Journal of Management and Social Research, Pune, Year of Publication Volume III Number 2, April 2010 talks about setting of criteria for benchmarking proactive HR intervention. In this paper, he has given importance on doing organizational diagnosis before doing any kind of HR intervention. He is of the view that HR interventions should not be made just for the sake of it. As per his views, there are various sub-specializations in HR that work in tandem with each other. These sub-specializations are – Human Resource Planning, Human Resource Development, Human Resource Administration and Human Resource Information Systems. All the sub-specializations in HR will comprehend each other to make a successful HR intervention.

In the sub-specialization category – Human Resource Development, he talks about providing with avenues of growth internally to the employees rather than identifying people from outside. He gives emphasis on identifying internal potential talent and providing them with the required training. This will keep the morale of employees high and provide internal avenues for them for growth.

To conclude, he gives importance to do diagnosis before doing any HR intervention.

IV. Gunavathy J. S. and Indumathi G. in their paper “Leadership and Organization Citizenship Behavior – A Study among Employees of a Civil Engineering Company”, BVIMR Management Edge, New Delhi, Year of Publication Volume 4 No.1, Jan. – June 2011 talks about the relationship between the leadership that an employee experiences from his supervisor and Organization Citizenship Behavior (OCB). The study brought to light some of the grey areas in the leadership styles. The authors suggest that leaders should not only try to enhance job satisfaction and organizational commitment, but also pro-social, organizational citizenship behavior of their employees. For true citizenship behavior to be exhibited, leaders should be able to foster a culture of trust, mutual understanding and transparency. Leaders should focus
on leader-member exchange rather than on mere leadership styles or performance targets.

The study suggests few areas where improvement can be done on the part of leaders by prioritizing and delegating of activities, giving due credit to good performers by having a transparent system of rewards and recognition, by being just and fair in his dealings with employees and by having a positive influence on the employees, and by the organization by developing a culture that actively promotes the leader-member exchange.

V. Randall James E., Cooke Ernest E. and Jefferies Richard J. in their article ‘Can assessment centres be used to improve the salesperson selection process’, Journal of personal selling and sales management, 1981-82 talks about the importance of combination of different methods as part of selection technique. As per E. James Randall, no one selection technique can stand alone, and that a combination of methods used together, adapted for a specific company that are matched with that company's needs, will provide the optimum selection process for salespeople. As per the author, Assessment Centres are the best way of selecting sales personnel. Companies need to study their own unique situations and develop their individual combination of techniques that when used together will yield the best results. As per the authors, sales management must wake up to the fact that there is not a quick, easy, cheap solution to the sales selection process.

VI. Russell Craig J. and Domm Donald R. in their paper ‘Two field tests of an explanation of assessment centre validity’, Journal of occupational and organizational psychology, 1995 talk about structured ways of obtaining a sample of behaviors. The researchers did two study on assessment centre. In study 1, the assessors were explicitly trained to view traditional assessment centre dimensions as role requirements of the target position. In study 2, the assessors were trained to obtain both traditional dimensional ratings of candidate skills, abilities and personal characteristics and forecasts of how well candidates should perform on various tasks in a future job. The research was done with the hypothesis that task based ratings will demonstrate higher criterion related validities than the trait based ratings. In both the studies, the researchers obtained the job related information in a structured manner by
way of discussions and interviews with the job holders, their superiors and the top management and by doing job analysis.

In study 1, the research was conducted based on the selection of criteria set for the position of Store Managers for a US based Fortune 100 integrated durable goods manufacturer for their retail outlets. The assessors were trained in this study to assess role related dimensions for the position of store manager. In study 2, unit managers of the same company as in study 1, participated in the study. Their earlier assessment centre scores and performance appraisal results were analyzed.

As per the analysis of both the studies conducted by the researchers, criterion related validities were higher for the task based assessment dimensions and displayed more consistency (less variations) in their correlations with performance criteria. When assessors were asked to consider trait-based ratings in combination with the task based ratings, criterion related validity was reduced. In study 2, when assessors were asked to provide both trait based and task based ratings, trait based ratings demonstrated substantially lower criterion related validity while task based ratings exhibited high criterion related validities.

VII. Weaver Carl F. of Brevard Community College, Cocoa, Florida in his applied research project “Can Assessment Centres Eliminate Challenges to the Promotional Process”, 2000 submitted to the National Fire Academy talks about the challenges in promoting qualified fire service officers. The purpose of his research was to identify if an assessment centre would be the best way to identify and promote candidates who could perform the Staff Lieutenant / Fire Inspector I job duties successfully. In conducting this research, the author used descriptive research methodologies involving a literature review and survey method. The survey was divided into four categories: promotional testing in general, assessment centres in the promotional process, success of candidates selected by assessment centres and the results of challenges that may have been filled as a result of assessment centre. The researcher has recommended that the Orange County Fire Rescue Department’s Fire Loss Management Division utilize an assessment centre in their Staff Lieutenant / Fire Inspector I promotional examination process.
During the research, the author studied the practice of promotion in the Fire Loss Management Department. The fire department used conventional written and oral testing practices in hiring and promoting. The candidates who got pass grade in the written test were asked to appear for the oral interview. An outside vendor would conduct the written test and the oral interview board evaluators were fire loss management division managers. As per the researcher, these promotional practices caused many grievances during the past years, as well as numerous employee complaints against management.

The researcher conducted survey with the fire departments in Florida that the Orange County Fire Department uses for benchmarking. This was done by the researcher because these departments are approximately the same size and deliver similar services, and the department routinely uses this measure to determine salaries, benefits, equipment acquisition, resources, and other personnel and operational areas. Since there were limited number of departments that Orange County Fire Rescue uses in their benchmarking, additional surveys were sent by the researcher to other metropolitan sized departments in the southeastern United States.

As per the survey results, more than 70 percent of the responding departments stated that they use some aspect of the assessment centre process in their promotions. Amongst the departments that used assessment centre, only one candidate could not complete the probationary period, that too because it was discovered that the employee had cheated on the written examination. The result of the survey indicated that the majority of respondents agreed that assessment centres work well in the promotional and hiring process. As per the researcher, both the respondents and the literature review indicate that the assessment centre promotional examination process conducted is reliable and valid.

Based on the literature review and survey results, the author agrees that an assessment centre is the best approach in filling the Staff Lieutenant / Fire Inspector 1 positions. The researcher has recommended that while assessment centre is developed, it is also important that the Fire Official and his management team discuss with fire prevention personnel about the changes being made to the examination process. The researcher
has suggested to the department to schedule a seminar to explain the use of assessment centres in the promotional examination process, what dimensions will be tested based upon the job analysis, how the dimensions will be tested, what scoring mechanism will be used to determine the ranking of the candidates, and what criteria will be used in selecting the candidates. Based upon the history of previous examinations, the researcher has said that it may be necessary to fill the new positions from the candidates in ranking order. The researcher has further recommended that the Fire Official should encourage his personnel to assist in developing a comprehensive job analysis for the Inspector 1 and Municipal Fire Inspectors positions. The researcher has also suggested that an outside vendor familiar with and well-versed in assessment centres should be used in the development and implementation of the assessment centre. The researcher has concluded that assessment centres have been proven to weather the challenges and be a valid, accurate, and successful method of identifying qualified people for specific positions.

VIII. Rao T. V. in his White Paper “Global Leadership and Managerial Competencies of Indian Managers”, Indian Institute of Management, Ahmedabad, W.P. No.2007-06-05 Year of Publication June 2007 talks about qualities of effective managers, leaders and world class or global managers. The White Paper gives details about what leadership is through the views of different management experts at international level. From the views of these management experts on leadership, T.V. Rao has listed 25 competencies needed to be a global leader and manager. The White Paper also gives reference to few Indian studies done on leadership. The research was done by 360 degree survey method for 762 senior and top level managers from manufacturing, services and pharma sectors combined with a mix of organizations belonging to two leading houses of India. All the organizations were MNC’s in private sectors. The paper identifies the strengths and weaknesses of Indian Managers. Job knowledge came as the most frequently observed strong point of Indian managers across all the sectors surveyed by the author. Communication, team work and hard work came out as other strong points of more than 20 Indian Managers. Short temper, open-mindedness, and inability to build juniors are the most frequently mentioned areas of improvement. Vision, values, strategic thinking, decision making skills, risk taking,
innovativeness, ability to learn from mistakes, learning orientation and self renewal efforts, and cross cultural sensitivity are other qualities lacking in Indian managers to be called as global managers. These qualities are either not exhibited dominantly or are not received by fellow managers. The White Paper further suggests that the management education and development programs should focus on these qualities so that Indian Managers become world class managers.

IX. Lyne de Veer Heather and Kennedy Fraser in their paper “An Analysis of Leadership Development Programmes working in the context of development”, Developmental Leadership Program, Year of Publication February 2011 pointed out about the various leadership development program throughout the world as a tool for developmental policy.

As per this research, lot of leadership programs emerged, most of these program have fallen short to understand the meaning of leadership, its nature, its aim to contribute to development & choosing & designing the program. As per the researchers, the number of leadership development programs working within the developing world has increased dramatically over the past twenty years.

The study is based on research which reviewed of a sample of 67 different leadership development programs operating in different regions of the world. The main body of the paper consists of a review of 67 leadership development programs (LDPs) that aim to build or enhance leadership capacity in the developing world. It primarily reviews LDPs with an online presence. These were identified and reviewed using a variety of means, including: online search and selection, scans of academic material, information from evaluation units of major development organizations, questionnaires to all surveyed LDPs providing contact information on their websites, and some semi-structured interviews. Despite constraints (such as limiting the review to organizations with some online presence, or those that responded to enquiries), this sample provides a useful basis for identifying the most important issues and themes for policy makers to take into account with regard to funding, selecting or creating leadership development programs.
The researchers here surveyed a total of 67 organizations but a Google search for the term “leadership development program” gives more than 349,000 results, and the number of program operating around the world is growing all the time. Nonetheless, this research illustrates the variety of different program available.

As per the research, the different program can be classified as:

i. Management training
ii. Organizational development
iii. Scholarship program
iv. Skills training
v. Community development
vi. Entrepreneurial development
vii. Capacity development
viii. Coalition/network building
ix. Mentoring/coaching
x. Executive development
xi. Resource support

According to the research the largest LDP in operations are the management training program or executive development program designed mainly for business use. The form of a set of questions that policy-makers should ask of LDPs (and of themselves) when designing, selecting or assessing program for use in development policy; the relevant and appropriate answers will depend upon the aims and requirements of the particular policy-maker.

To review and assess the program the researchers asked questions related to the leadership development program that these organizations were conducting.
Based on their research, the researchers have laid down some policy messages for strengthening the leadership development in the organization which are as follows:

i. Articulate your own understanding of ‘leadership’ and its role for development first.

ii. Be critical and discriminating when supporting or commissioning programs.

iii. Choose programs that understand that leadership for development is more than leadership for organizational development.

iv. Choose programs that are appropriate for the context and sector.

v. Make sure you have the right program for the right participants.

vi. More can and should be done to evaluate the effectiveness of leadership programs.

The researchers concluded that many leadership programs fail to have a clearly articulated understanding of ‘leadership’, and few have a theory of change that could underpin and guide the methods and content of their courses. Therefore a well-conceived and well-run LDP should, at least, provide a clear definition of what the program means by “leadership” and a sound theory of change that lays out explicitly how the program (its format and practices) will change the behavior, roles, and influence of the participants in such a way as to impact upon the pursued development outcomes, methods and content that are appropriate to the aims and the understanding of leadership, and consistent with the theory of change of the program.

As per the researchers, there is a need to evaluate leadership programs beyond participant satisfaction to verify leadership development as a policy tool for development. A minority of programs shows that it is possible to evaluate much more than is currently the case. Rigorous evaluations or impact assessments that validate a program’s theory of change is needed and it allows for the identification of short-term and long-term impact; and enables the programs to make necessary adjustments when output, outcomes or impact fall short of expectations.

Therefore this research paper analyses the impact of the leadership development programs through survey’s & findings and also deals with the ways to strengthen it for the organization effectiveness.
X. Ray Keith W. and Goppelt Joan in their paper “Understanding the effects of leadership development on the creation of organizational culture change: a research approach”, International Journal of Training and Development, 15:1 ISSN 1360-3736, 2011 analyze the linkage between developing leader and the resulting effect on an organization changing culture.

As per the researchers, most leadership development programs are the assumption that if individual leaders improve, they will create improved performance for those who follow them. The researchers wants to provide a better understanding of how leadership development programs affect organizations either by measuring outcomes or by investigating the processes of organizational change. For this the researchers have suggested the narrative approach; a narrative approach that incorporates constructionist and complexity theories of organization can meet the needs of practitioners and researchers when they engage in understanding and influencing a leadership development programs effect on the organization.

As per the researchers, narrative is a retrospective account coherently weaving together the storytelling that has occurred before whereas, antenarrative is the speculative incomplete descriptions of episodes of lived experience offered up as a first attempt of sense-making. As individuals tell antenarratives and negotiate larger narratives, they are able to create enough coherence to visualize a future through their stories and act upon them to create the future. This sense-making process has the effect of both reducing complexity at the individual level and increasing complexity at the social level. Dominant narratives become accepted as true and stabilize the system so that more people can live together in coordinated action. Narratives play the role of strange attractors in human social systems allowing them to stabilize and create a dynamic order. Antenarratives are equivalent to the system testing out multiple modes in the environment until one antenarrative becomes the stabilizing strange attractor narrative.
Ability to influence organizational culture change through individual transformation in a leadership development and aid researchers in understanding if and how a leadership development program creates organizational culture change.

As per the researcher, a change in individual behavior will change or disturb the routine environment of work, as per the training given, changes will affect the environment and this change will bring a new nature of culture in picture or existence so the effect is sure shot not need to explain. The training given to the employee will change his peers and also his superiors and followers.

The researchers concluded that sense-making and analysis is the important part of all the actions to determine the effect on the culture change of the organization created by conducting a leadership development program and it is contributing to increase the collaboration between the same.

XI. Oracle Corporation in their white paper “Seven Steps for effective leadership development”, Year of Publication June 2012 talks about seven steps for effective leadership development implemented by Oracle Corporation. As per the white paper, an effective leader is a person behind a successful organization. He can make a success of a weak business plan also, but a poor leader can ruin the successful business. Thus to identify, attract, and retain corporate talent, companies need to develop best leadership development programs which are focused on best hiring strategies, employee development and career and succession planning.

In this research paper it is said that companies face 2 major challenges in leadership development. First is to identify qualified candidates to fill future leadership roles and the second one is to develop leadership programs for strong leaders. In past leadership development was focused only on individuals and there was not efficient system to develop this. There was not such technology to be deployed to build the programs across the organization. There were no support systems for leadership practices and processes.
Due to various leadership scandals various companies lost faith in leaders. In a survey in this paper it showed that 51% of those surveyed said they had diminished confidence in business leaders at non-US companies and 76% has less confidence in US business leaders. The overall talent shortage has led to challenges in leadership development. 82% of 930 companies surveyed stated that talent shortages were hindering their leadership development efforts. Successful organizations need both leaders and managers and there is fundamental difference between both. Leader influences, inspires, and drive people to a common goal. But manager has to keep day to day operations of organization run smoothly. There has to be development for both set of skills.

There are certain elements and functions for leadership development programs. These include recruitment to source leadership talent, assessment to evaluate leadership capabilities, performance management, succession planning to enable employees to understand their leadership options and development. A successful leadership development program begins with the alignment of leadership development with company strategy and understanding of type of leadership style. Oracle Corporation developed 7 steps for effective leadership development. These 7 steps include:

i. Determine the best leadership style for your organization
ii. Identify current and potential leaders within the company
iii. Identify leadership gaps
iv. Develop succession plans for critical roles
v. Develop career planning goals for potential leaders
vi. Develop a skills roadmap for future leaders
vii. Develop retention programs for current and future leaders

The conclusion of this white paper is that leadership development is an critical aspect for every organization for attaining output. This requires effective evaluation of many talents. There has to be many support systems like technology for leadership
development programs. A good leader may have a improved goal, good leadership skills and consistent performance. All organizations need a strong leader for success. Talent management with technology helps to develop this. Leaders are the one who best drive the business performance. An organized leadership program has talent aligned with corporate goals. Thus Oracle Corporation developed this seven steps and the elements required for successful implementation of leadership development program.

XII. Bolden Richard in his article “Trends and Perspectives in Management Leadership Development”, Business Leadership Review IV:II, Year of Publication April 2007 has reviewed various recent trends in management & leadership development in the U.K. It includes that management and leadership are presented as distinct rather than integrated and complementary activities / processes and limited consideration is given to the impact of contextual factors on individual and organizational performance. The contemporary context of management & leadership development includes the changing conceptions of the nature of management and leadership, the need to enhance management and leadership capability arises from the changing nature of work, especially the need to cope with increased competition. The article focuses on what exactly is leadership & management development & how can individual and organization get the most out of it? Whether there are any differences or similarities between the two concepts. As per the article, in one of the studies conducted by Mabey and Ramirez, HR and line managers preferences for management development methods in European companies are as follows:

i. Internal skills programs
ii. External courses, seminars, conferences
iii. Mentoring/coaching
iv. Formal qualification
v. In-company job rotation
vi. External assignments, placements and/or secondments
vii. E- Learning.
As per the article, Richard Bolden says that the choice of selecting management and leadership development approach is not a simple one. For maximum effect, one need to carefully consider what it is that they seek to develop and how best this can be achieved. The article proposes some approach on selecting a management and/or leadership development. The article includes series of questions/issues for individuals and organizations to consider when investing in leadership & management development.

1.6 Defining the problem

Assessment Centre has been a technique to identify potential leaders since the second world war. This method was used by AT&T in the early 50’s to assess managerial and leadership competencies.

With globalization, the market has become increasingly demanding and competitive. There is a demand for a range of goods and services. With the growth of population in India, there is a growth of product users. This growth has resulted in potential for FMCG companies to grow. When companies grow, they also have to provide excellent services to maintain their growth. To survive in this competitive environment, organizations need to align their strategic intent in line with the market requirements. The strategic intent thus shapes the mission statement of the organization, the structure of the organization and the values it follows. The organization then sets its performance goals according to its strategic intent. To achieve these performance goals it has become imperative for organizations to have competent people.

While doing secondary research, it was found that there are gaps in the services provided by FMCG companies. One of the reasons for these gaps in services was shortage of competent manpower. It was also found that there is high attrition in the FMCG Industry across levels. This is because there is shortage of competent manpower, and all companies are poaching these competent people who are available in the market. When an employee holding leadership position leaves the organization,
it can impact the services of the organization. Thus, it is important for companies to have a pool of competent people ready who can be available at the right time. Assessment Centres help organizations identify and develop competent people and have thus become need of the day.

As this is an old method of identifying potential leaders it is important to understand its applicability in the current scenario.

Assessment Centres are required by all corporate where motivation and leadership qualities are essential for performing. In this context, each organization needs Assessment Centre. It will help organizations to identify the right person required for the respective role / assignment. It will help organizations to identify leaders within the organization and will also help in developing leaders in-house. The study will help corporate improve their performance.

This study will help in understanding the trends in the use of assessment centres. This study will help the corporate to build in-house competencies. This study can be used in different areas like Sales, HR, IT, Finance, Quality etc. This study is conducted from December 2010 to June 2013.

1.7 Objectives of the study

The objectives of the study are as follows:

i. To study the concept and its applicability to Assessment Centre.

ii. To understand the activities involved in Assessment Centres.

iii. To find out the shortcomings of the Assessment Centre method.

iv. To evaluate the leadership development methods used by the companies.
v. To measure in India the trends in leadership development by the companies.

vi. To suggest measures to improve the leadership development methods.

1.8 Hypothesis of the study

The following are the hypotheses for the study:

H0. Leaders identified through Assessment Centres give better results in the organization.

H1. There is a growing trend of using Assessment Centre method for leadership development in FMCG companies.

1.9 Research Methodology

(i) **Survey method:**
As the study is descriptive and analytical, survey method was followed for conducting the study.

(ii) **Data collection:**
  a. **Primary data:**
  Primary data were collected with the help of questionnaire.
  
  b. **Secondary data:**
  Secondary data were collected with the help of books, journals, websites etc.

(iii) **Sampling:**
  a. **Population of samples:**
  Population of samples is FMCG companies in Mumbai region.
b. **Size of samples:**
   Size of the sample is 50 FMCG companies out of 468 having offices in Mumbai, Thane and Navi Mumbai.

c. **Technique of sample selection:**
   Technique of sample selection is random sampling method.

(iv) **Data analysis:**
   a. The data collected is tabulated and analyzed with the help of statistical methods such as average, percentage, etc. The conclusions are drawn on the basis of analysis of data.

   b. Hypotheses are tested using appropriate statistical tools.

   c. A few suggestions are also made for development of leadership in the industry.

1.10 **Scope and significance of the study**

All organization needs leaders who can take it to the next level. In an organization, leadership is all about leading people and bringing vision of the company into reality. It is all about giving results. Nurturing the current leaders is important. Equally important is identifying the potential leaders and making them ready to take-up responsibilities for the growth of the organization.

Different organizations adopt different methods to identify and groom leaders. It is the responsibility of the HR department and the leadership team of the organization to ensure that there is a proper method by which they ensure that there is no vacuum. A methodical succession planning helps in ensuring that there is a proper leadership pipeline and the next level leadership team is ready to take-up.
India today is the second most populated country in the world. The rate of growth of population is the fastest in the world. While this is seen as a problem, this can also be an opportunity. India has the maximum number of youngsters as part of its population in the workforce. The average age of people taking-up leadership positions is decreasing. Many young professionals are taking-up the leadership role early in their career. The report presented focuses on some of the practices carried out by leading FMCG companies in India. Also it covers some of the examples of young business leaders from other industries who are making India proud in various fields and are leading the country.

There are various methods of identifying and developing leaders. Assessment Centre is one such method. It is being used world-over by corporate for selection as well as for identifying leaders within.

Assessment Centres are required by all corporate where motivation and leadership qualities are essential for performing. ACs map the next level challenges and simulate them in exercises. This raises the validity of the assessment tool. The old way of evaluating the person based on past performance does not work many times, as the challenges of the next level are different from the challenges in the existing position. Assessment centres not only help the organization in placing the right candidate for the right job/assignment but also helps in developing the participants. When participants see others handling the same exercise differently, it gives them an insight into their own performance thereby raises the credibility of the selection procedure. In this context, each organization needs Assessment Centre. It will help organizations to identify the right person required for the respective role / assignment. It will help organizations to identify leaders within the organization and will also help in developing leaders in-house. The study will help corporate improve their performance.

The study will focus on identifying leaders especially in the FMCG industries. The study will further probe if companies are using assessment centre as part of their mission towards identifying leaders and its effectiveness. This study will help the corporate to build in-house competencies and to identify leaders within.
1.11 Limitations of the study

Study is based on samples and the data is collected with the help of questionnaires.

Finding are based on data, therefore, data may be biased to some extent.

This study is based on companies in FMCG sector.

There are companies which do not have a proper program to identify future leaders. There are companies which have a program to identify future leaders, but do not have assessment centre as one of the method to identify and develop leaders.

The respondents are not able to give certain information as either they feel it is confidential in nature, or they do not have such information readily available with them.

1.12 Chapter Scheme

The study is divided in the following chapters:

Chapter 1.
Introduction and research methodology.

Chapter 2.
Assessment centre method.

Chapter 3.
International practices in leadership development.

Chapter 4.
Data Analysis.

Chapter 5.
Conclusions and suggestions.